



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Rogers Legislation to Prevent Financial Fraud Successfully Passes Bachus Subcommittee With Bipartisan Support

Subcommittee Chairman Spencer Bachus (AL) presided today as the House Financial Services Subcommittee on Financial Institutions and Consumer Credit passed H.R. 1408, the Financial Services Antifraud Network Act, authored by U.S. Rep. Mike Rogers (MI). The legislation would create an antifraud network so that the nation's 200- plus financial regulators could confidentially share information and alert each other to fraudulent practitioners.

Currently, it's too easy for bad actors in financial services to evade regulators by moving from one state to another or from one industry to another.

"Does anyone seriously doubt that there are hundreds, if not thousands, of would-be Martin Frankels still operating in our financial markets?" Bachus said. "The antifraud network established by this legislation will help level the playing field between the Frankels of the world and the financial regulators charged with policing financial fraud and protecting consumers."

Specifically, the bill would allow regulators to develop a network within two years. If they are unable to, the bill provides for the establishment of a subcommittee to create and coordinate the network. No new information would be collected, and no information on consumers would be shared.

In Rogers' home state of Michigan, two ongoing fraud cases point out the need for the legislation which links the anti-fraud databases of the nation's financial regulators and law enforcement agencies. Rogers, who served as a FBI special agent, said the Financial Services Antifraud Network Act gives regulators and law enforcement the tools necessary to halt the activities of financial scam artists.

"Modern technology and the Internet have created a new frontier for criminals, allowing them to defraud consumers with a mere click of a computer mouse," said Rogers. "Our regulators need the same technological tools. Electronically linking regulators and law enforcement closes a loophole and averts schemes aimed at bilking the American public."

Currently, some regulators have created agreements among themselves to share information on financial professionals; however, they are doing so with no congressional guidance on confidentiality and privacy standards. For nationwide information sharing to take place, the regulators would have to create in excess of 40,000 separate agreements.

House Financial Services Committee Chairman Michael G. Oxley (OH), an original cosponsor of the measure, said, "With financial services fraud estimated to cost in excess of \$100 billion a year, greater information sharing is imperative if regulators are to do their jobs in the new financial services world envisioned by Gramm-Leach-Bliley."

The bill could have prevented crimes such as those committed by Martin Frankel, who was barred from the securities industry before moving to the insurance industry and stealing hundreds of millions of dollars.

The bipartisan legislation, which passed the subcommittee by voice vote, currently has 15 cosponsors.

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